

April 17, 2014
Burlington Employees' Retirement Board
Burlington Electric Department

Board Members Present: Jim Strouse (JS) via phone Bob Rusten (BR)
Munir Kastl (MK) John Federico (JF) – 9:20am
Jeff Wick (JW) Robert Hooper (RH)
Matt Dow (MD)

Others Present: Susan Leonard (SL)
Stephanie Hanker (SH) (Acting Secretary)
Daniel Gilligan

JS convened the meeting at 9:00am

1. **Agenda:**

JS added 3a as an executive session for a disability retirement and 6a for a discussion about the Retirement Committee funding

2. **Approval of Bills:**

BH moved to approve bills presented, MK 2nd. Motion carries 6:0

3. **Consideration of Retirement Applications:**

JS stated that we would exclude the application for Timothy Nulty until further discussion with the City Attorney. BH moved to approve the retirement applications for Coddington and Lambert, MD 2nd. Motion carries 7:0. JW requested that Buck provide the calculation used for now on and that be provided to the Board as well.

3(a). **Executive Session:**

BH moved to enter into executive session to discuss the disability retirement application presented, BR 2nd. The Board entered into executive session at 9:40am. JW moved to exit executive session at 9:50am, JS 2nd. BR moved to approved the disability application of Patricia Baker, JW 2nd. Motion carries 6:0:1

4. **Ratify Refund/Rollovers:**

BH moved to approve the refund of contributions as presented, JS 2nd. Motion carries 7:0

5. **Discussion of Mayor's Letter to the Board regarding Divestment and Asset Allocation:**

The Board went through the bullets of the letter.

- *Whether the Board has any authority over the 90% of the City's pension assets managed by the Vermont Pension Investment Committee (VPIC); and, - JS stated yes the board has complete authority saying that we can leave the money there or take it back*
- *If the Board has no actual authority, does the VPIC process allow for recommendations from members; and, - JS stated No, we have authority in the process*
- *The potential financial impact to the City's pension assets of such a divestment; and, - JS stated he does not know the answer to that, there are transitional cost, but believed this would be minimal. JS stated that this has come up and requested SH go back into the files and find what Barry Bryant and VPIC had provided in the past.*
- *The fiduciary responsibility of the BERS Board regarding the pension assets; and, - JS stated the board has complete fiduciary responsibility regarding pension assets. JF stated that VPIC provided information on this issue and the Board should look at adopting a policy on this topic.*

BR stated that a letter be drafted to the Mayor saying we have no authority on the assets with VPIC other than pulling our money out and the Board will be adopting a policy on this topic.

BH stated he would like to address the next to last bullet of the letter.

- *If the Board plans to conduct an overall analysis of the current pension assets, both those management and not by VPIC, regarding the Board's long-range strategy to maximize asset valuation against the appropriate level of risk, and how divestment may or may not impact that strategy; and, - JS stated that Barry did an analysis to see how much was in those types of funds and it was very minimal. BH stated that VPIC is relatively low. JF stated the major points for VPIC is it is more important to influence their votes from within.*

6. **Discussion of Expenses of the Retirement Fund:**

BR stated we are paying out of the retirement fund for things like Buck and other costs that do not go into Bucks calculation as to the contributions that are being made by the different entities; we are draining the fund of a significant amount of money. JS stated if the expenses are investment related expenses, money managers for example that is taken into account by they reduce the investment return to offset investment income by the investment expense. JS stated the tax rate each year is composed of one, the actuarial funding Buck told us to put in plus the expenses we anticipate each year. BR stated that he was not sure that was happening. BR stated he believed it was being based on the valuation report and that is it. JS stated that was not what the ordinance tells you to do. BR stated he would check and see if in the past

that is what has happened. BR stated it would affect the other department's contributions to the fund. BR stated that he would bring this information to the next meeting.

6(a). **Funding for Retirement Committee**

BR stated the Retirement Committee is working with Buck on two areas, analysis of if we were to modify assumptions and the impacts, essentially if we do tiered amortization, change the mortality rate, doing a closed amortization, going to an open system versus a closed. BR stated Buck had done a presentation and had estimated that would cost about \$2,000.00, he felt that we could make some changes that could reduce the City's contribution and the underfunding. BR stated the second was to prepare spreadsheets to show the effect of those above, Buck thought that would cost around \$1,000.00. The third is the mayor has put together a proposal to look at different methodology of our asset allocation, but that also could incur a cost, the question becomes are any of the three cost areas an appropriate cost that the retirement board would approve to come out of the retirement fund. JF stated some of the most interesting so far is the idea of funding policies and funding methods and this board should also take a look at, think it is appropriate us of retirement funds to make sure it is being paid in the healthiest way going forward. JF stated that he was not sure about the Mayor's portion because that has been tabled for now. BR stated the committee is looking at a package of things that could be done to reduce underfunding, and asks if the board would fund \$3,000.00 to Buck to cover the cost of the information provided by Buck so far. BR suggested having a joint meeting of the board and the committee next Tuesday to walk through the spreadsheets. MK moved to approve the specific request as dated, not to exceed of \$3,000.00 any changes would have to come back to the board for further approval. JW 2nd. Motion carries 7:0

7. **Discussion – Notification of Election – Federico Seat**

SH stated that there will be an election mid may for the Class A seat being vacated by JF.

8. **Other Business**

JS stated that the valuation is being paid by the Retirement fund and that valuation should come directly to the board and then be forwarded to the C/T office.

JW moved to adjourn, BH 2nd. Motion carries 7:0. Meeting Adjourned 10:55am.